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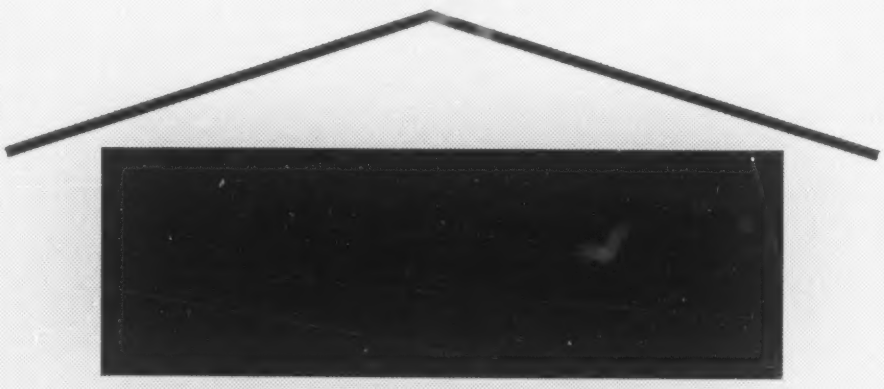
Highlights

State of the Industry Report



1990

This report contains selected summary information about the U.S. housewares industry. An In-depth version, containing more detailed information, is only available to those NHMA companies that participated in the survey.

The contents of this report should be treated confidentially.

The NHMA believes that this report can provide strategic advantage and only NHMA members who participated in this survey should benefit from it.

Deloitte & Touche and its Braxton Associates division assembled this data from what we believe to be the best available source: the membership. However, no attempt was made to audit the data received, and we cannot represent that a different set of results might not have emerged given a different response rate or mix of respondents. Therefore, we cannot be responsible for actions taken by individual members based on the contents of this report.

NHMA Disclaimer for 1990 State of the Industry Report

A total of 320 Housewares manufacturing companies representing many categories participated in this year's survey. The NHMA thanks those companies for their time and effort.

An announcement to all readers. Before reading this survey, please note the following caveat.

Due to the following reasons listed below, NHMA cautions anyone reading this report about using the survey results for purpose other than as one of many benchmarks in evaluating their own companies performance:

*The Housewares Industry, as defined in this survey, is extremely encompassing and diverse. The survey uses unaudited data from hundreds of companies of varying size, scope and selling cycles, to name a few factors.

*Many of the figures listed for each category are not accurate nor conclusive because of the small sample size achieved.

*It is inconclusive to compare data from the 1989 State of the Industry Report because while the participation level is similar, the base and the participating companies from which the results were obtained are different from last year.

*As results tend to fall in ranges, it would be inaccurate to target specific numbers and use them for any conclusions.

In future NHMA-sponsored survey reports, the NHMA hopes to, among other things, increase participation and provide more actionable data with which to use in comparing one's own company performance and growth potential with those competitors in the Industry.

To the Housewares Industry:

Our gratitude is extended to the many members of the housewares industry who participated in this year's State of the Industry report. From the many hundreds of you who completed the detailed questionnaire, to the retailers, press and manufacturers who contributed their opinions, we thank you.

As we look back at the 1980s, we see a period that has been generous to the housewares industry. Driven by a booming domestic economy, high levels of consumer spending, household formation and population mobility, the housewares industry has outperformed the GNP, and most other "mature" industries by a wide margin. But the industry was not just the passive recipient of favorable trends. Rather, companies took action in the 1980s.

Many companies lowered real manufacturing costs, reduced management layers, enhanced new product development programs, forged electronic and economic partnerships with retailers, and cut *time-to-market* for new products.

These efforts, while often disruptive to "business-as-usual," signalled a longer-term perspective on the part of most companies. Generally speaking, these actions paid off handsomely and continue to generate competitive advantage to those companies that pursued them. But new challenges lie ahead.

This $38.5 billion industry enters the 1990s with weaker fundamental economic conditions, more and stronger competition, and a complex retailing environment. But the housewares industry has always been known for its creativity. Industry participants and observers acknowledge that the pace of change is accelerating, growth is slowing and competition intensifying. Yet there remains great optimism about the future.

If the industry can indeed respond to the challenge of the 90s, as it did in the 80s, then its continued good fortunes are assured.

Sincerely,

Brian E. Kardon
Project Director

Braxton Associates
A Division of Deloitte & Touche

EXECUTIVE SUMMARY

NHMA 1990 STATE OF THE INDUSTRY SURVEY

- In 1989, manufacturers' sales of housewares reached $38.5 billion, up 9.4% over 1988.

- Although housewares sales grew in 1989, the growth rate is slowing with smaller, upscale and niche competitors achieving the most rapid advances. The growth rates among NHMA members were wide, reflecting the diversity of the industry. Companies with sales below $10 million grew by 30.2% in 1989; the largest companies (sales greater than $100 million) grew by 8.6%.

- The housewares industry faces a great number of challenges as it heads into the 1990s. The unprecedented economic boom of the 1980s is over and housewares manufacturers will need to respond to changing consumer demographics and demand patterns as housewares sales start to flatten. The most successful housewares companies are increasingly competing on the basis of innovation and assaults on niche positions in the marketplace, not price.

- Demographic trends indicate a future softening of demand for housewares as housing starts flatten and population mobility slows. Counteracting this trend is an aging population with more money to spend on the home. Increasingly, these consumers are experienced and discerning customers who will demand high-quality, specialized merchandise in a broader range of styles, colors and models.

- The 1990s will truly be the era of the home, as individuals look increasingly towards the home as a place to live, work, entertain and have fun. Housewares manufacturers may capitalize on this trend, but face severe competition from outside the industry. Consumer electronics manufacturers and others are competing for the same discretionary household income.

- Housewares companies continue to grow above the rate of national economic expansion. While many companies have implemented cost-cutting programs over the past three years, manufacturing costs and selling costs continue to rise for most manufacturers. Housewares manufacturers cited "maintaining gross margin" as their #1 management priority in 1989.

- In 1989, survey respondents reported improved sales force productivity, new product introductions and new market penetration as the approach they are taking to grow their business.

- The fast-changing retail scene made many NHMA respondents uneasy in 1989. Chapter elevens, LBOs, takeovers, bankruptcies and store closings forced respondents to re-evaluate their credit terms and, in many cases, adapt more conservative policies towards selected retail accounts.

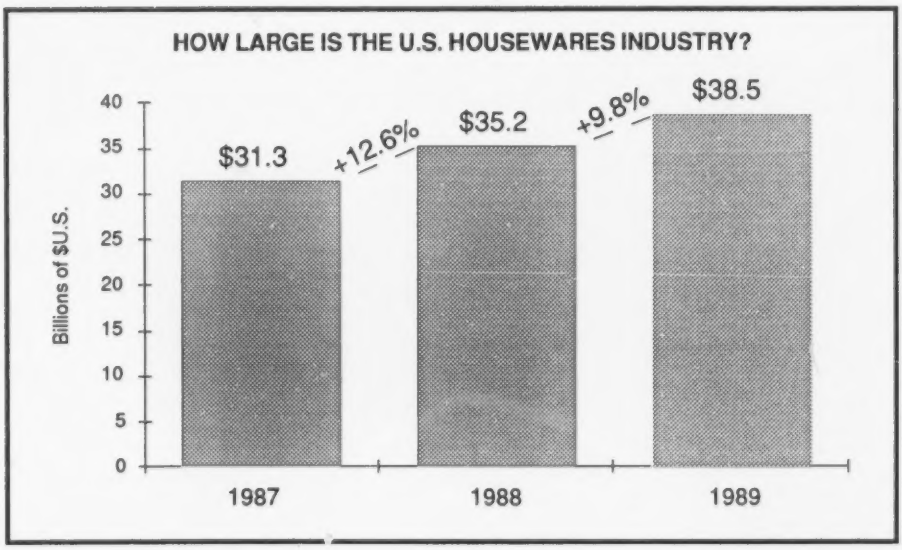
EXECUTIVE SUMMARY

NHMA 1990 STATE OF THE INDUSTRY SURVEY

- Discounters continue to rank number one among channels of distribution with 16.2% of housewares sales. Mail order, novelty/ gift stores, supermarkets and home furnishings stores made great strides in 1989.

- Advertising expenditures were down 3% in 1989 as companies moved funds to more account-specific sales programs and away from mass advertising.

- The kitchen is becoming a more popular place to spend time in the home. Microelectronics permit television entertainment in the kitchen, while specialty appliances like woks, espresso machines and pasta-makers let people entertain with foods and beverages usually found in restaurants. Tabletop and kitchenware netted the highest number of new product introductions in 1989 with 46 and 30 new products per average company, respectively.



The U.S. housewares industry reached an all-time high of $38.5 billion in 1989 (manufacturers' sales). Although the industry grew at 9.4%, the growth rate is slowing over its 1987-88 growth rate.

STUDY RESPONDENTS

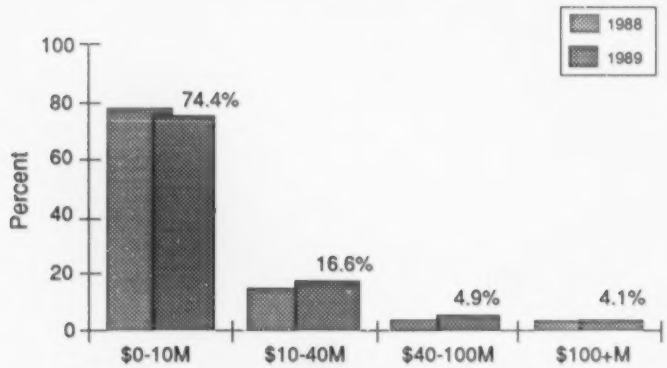
This year's respondents totalled 320.

These 320 firms are highly comparable to last year's in terms of company size. Four discreet groups of respondents have been identified for this survey and most analyses have been organized by these groupings. Figure I reports the annual sales volume of survey respondents.

The horizontal axis of the chart indicates the four groupings: 1) companies with $0-10 million in sales, 2) $10-40 million, 3) $40-100 million, and 4) companies with over $100 million in sales. To facilitate discussion of these groupings we describe companies as "small", "mid-sized", "large", and "super-sized."

Figure I

PERCENTAGE OF RESPONDENTS BY COMPANY SALES 1989

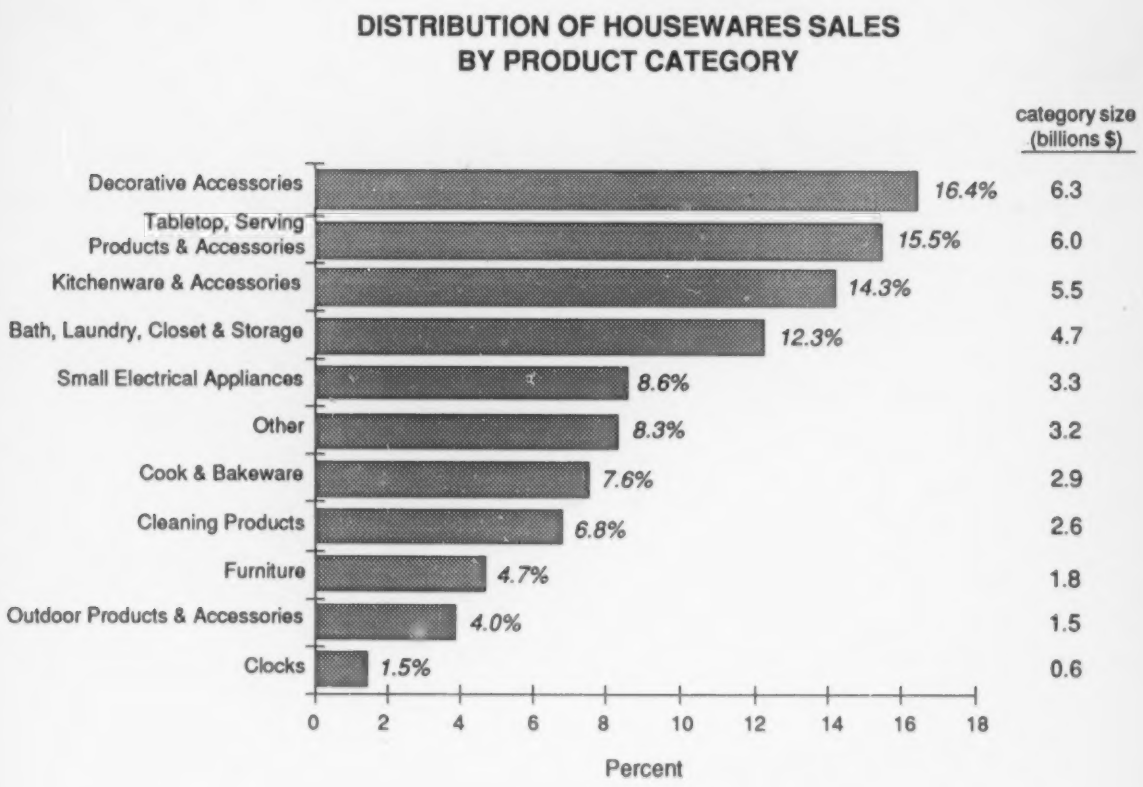


Source: NHMA survey

Company Size Description	
$0-10 million	= small
$10-40 million	= mid-sized
$40-100 million	= large
$100+million	= supersized

The average sales of a 1990 State of the Housewares Industry respondent was $19.5 million, up from $15.2 last year. The median of the sample increased from $3.1 million to $4.2 million. This means that half of all respondents had annual sales below $4.2 million.

Figure II



Source: NHMA Survey

The 320 survey participants indicated their 1989 sales volume by product category, as reported in Figure II above. The largest product category is Decorative Accessories (16.4%). The smallest is Clocks (1.5%). Product category definitions and examples are listed in the Appendix.

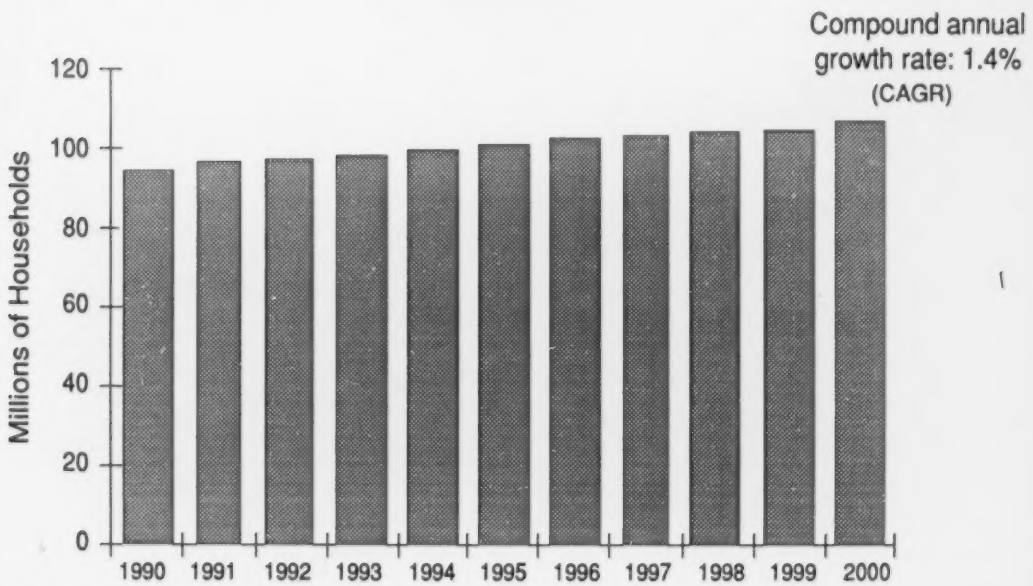
The approximate size of each product category is listed on the right of Figure II. However, we urge caution in using this number since respondent data was not audited and the sample is not necessarily representative of the housewares universe.

After a decade of economic expansion, demographic indicators point to a slight softening of demand for housewares products over the next decade. Housing starts, which declined in the latter portion of the 1980s, are expected to remain flat, while household formation has slowed and is expected to grow at a rate of 1.4% through the year 2000 (Figure III below).

Traditionally, consumers who move into new houses make significant housewares purchases during the first two years. The slower rate of household growth, coupled with a slowing rate of mobility (about 16% of the population moved in 1989 vs. 21% in 1961), is expected to dampen industry growth in the 1990s.

Figure III

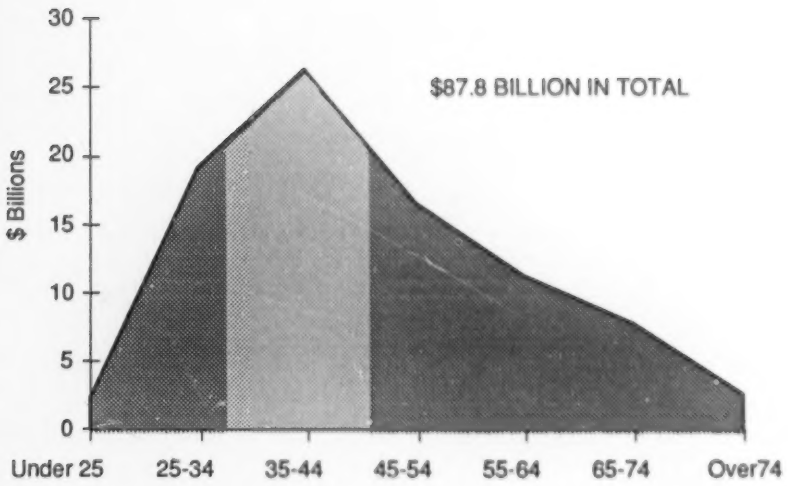
U.S. HOUSEHOLD GROWTH
1990-2000



Source: Bureau of the Census

Figure IV

ANTICIPATED EXPENDITURES ON HOUSEHOLD FURNISHINGS 1990 BY AGE COHORT

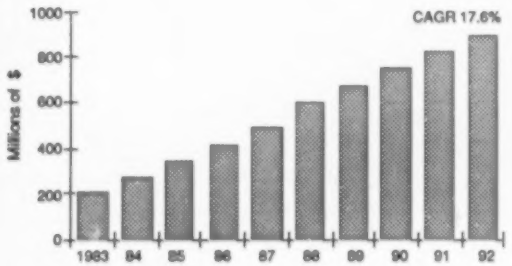


Source: Bureau of the Census

Offsetting this trend slightly will be the aging of the U.S. population. As the baby boom generation enters middle age, more Americans will be in the primary housewares buying age range of 35- 44 years old (Figure IV). The industry can be expected to benefit from the growth of this age group. Additionally, this older consumer is likely to be more sophisticated and selective than the consumer of the 1980s, and housewares manufacturers report that they plan to converge on this segment with more "innovative, value-oriented products."

Coffee

U.S. GOURMET COFFEE MARKET
1983 - 1992



Source: FIND S.V.P.

It seems that Americans "discovered" gourmet coffee in the 1980s as demand for the expensive beans tripled between 1983 and 1989. A good example of a successful niche product, coffee makers of all types were big winners in the 1980s. However, as more manufacturers, both domestic and foreign, continue to converge on this attractive market with an explosion of new products, supply is outpacing demand and many retailers report a softening of the U.S. coffee maker market. Mr. Coffee, for one, has developed an iced tea maker to energize company growth in the 90s by producing a time-saving device for millions of iced tea lovers.

SELLING THE PRODUCT

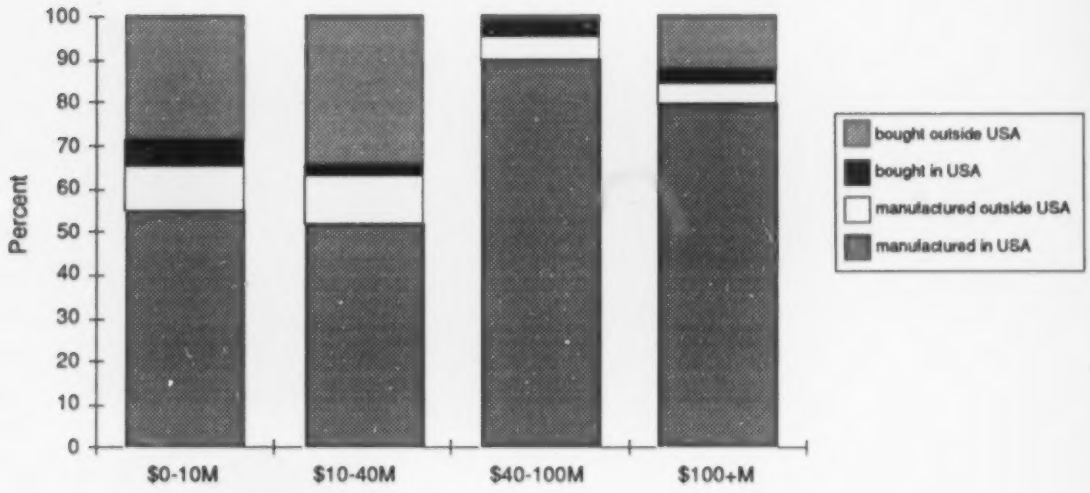
Most housewares manufacturers continue to make their goods in the U.S., although smaller companies rely more heavily on foreign sourcing (Figure V). The scale-effect is readily apparent here as larger companies are better able to invest in "bricks and mortar" and control their U.S.-based manufacturing. In some cases, the ability of foreign manufacturers to produce housewares at a low cost accounts for much of foreign sourcing. Also, the more sophisticated housewares consumer has become increasingly tantalized by European styling and is more likely to try upscale products from European and Asian manufacturers.

As reported in Figure VI, survey respondents are successful, fast-growing companies. Small manufacturers grew their sales at an average nominal rate of 30.2%. Mid-sized companies grew at 11.4%, large companies at 10.9% and supersized companies at 8.6%. Netting out inflation of about 4%, we see above-average growth for the housewares industry relative to other U.S. industries.

"...the ability of foreign manufacturers to produce housewares at a low cost accounts for much of foreign sourcing..."

Figure V

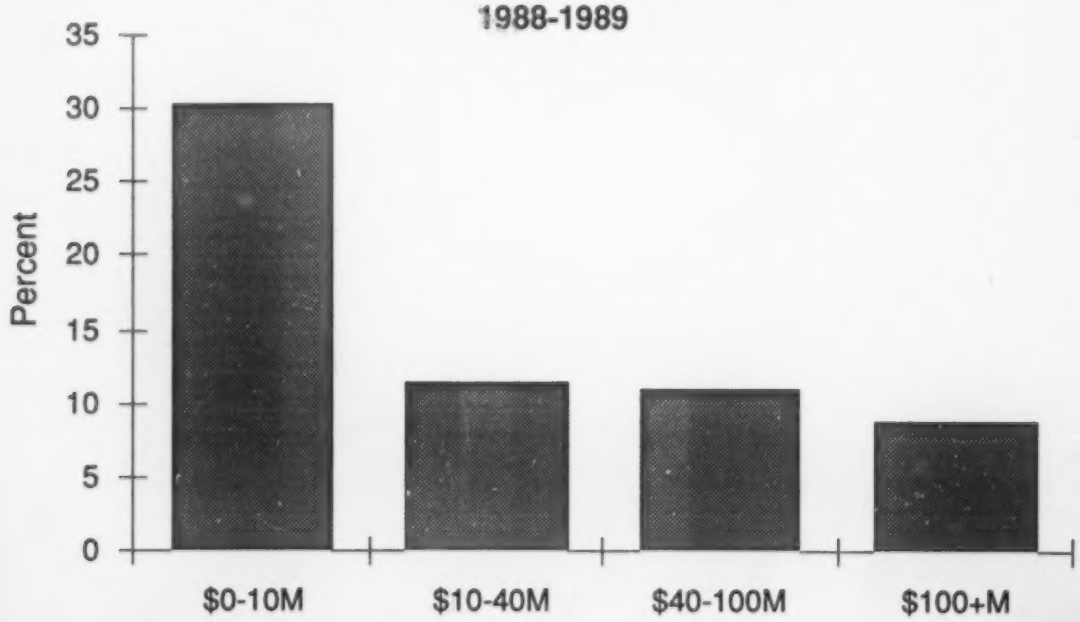
PRODUCT SOURCING AS PERCENT OF COMPANY SALES



Source: NHMA Survey

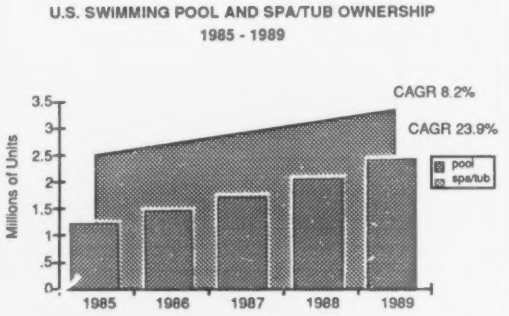
Figure VI

GROWTH RATE BY COMPANY SIZE 1988-1989



Source: NHMA Survey

Pools/Spas



Source: Nat'l Spa & Pool Institute

Pool, spa and tub ownership has never been higher. Pool and spa accessories, ready-to-assemble outdoor furniture and other related products have experienced exceptional growth in the 1985-89 period, driven by increasing ownership of pools, spas and tubs.

SELLING THE PRODUCT

Whereas last year's survey found that increased merger & acquisition activity prompted unusually high growth for larger companies, this year's respondents placed low priority on acquisition as a means of growing the business. In fact, all four groups of respondents identified two other activities as being most important for increasing sales volume:

- Increasing sales productivity in existing accounts
- Actively pursuing new accounts (Figure VII).

Survey respondents have set aggressive growth targets for 1990. As reported in Figure VIII, manufacturers of all sizes hope to grow faster in 1990 than they did in 1989. Smaller companies have set exceptionally high growth objectives in the coming year. Larger companies, perhaps reflecting the relative maturity of their product mix, set lower, yet optimistic objectives.

"Smaller companies have set exceptionally high growth objectives in the coming year."

Figure VII

HOW DID YOU GROW YOUR SALES IN 1989?

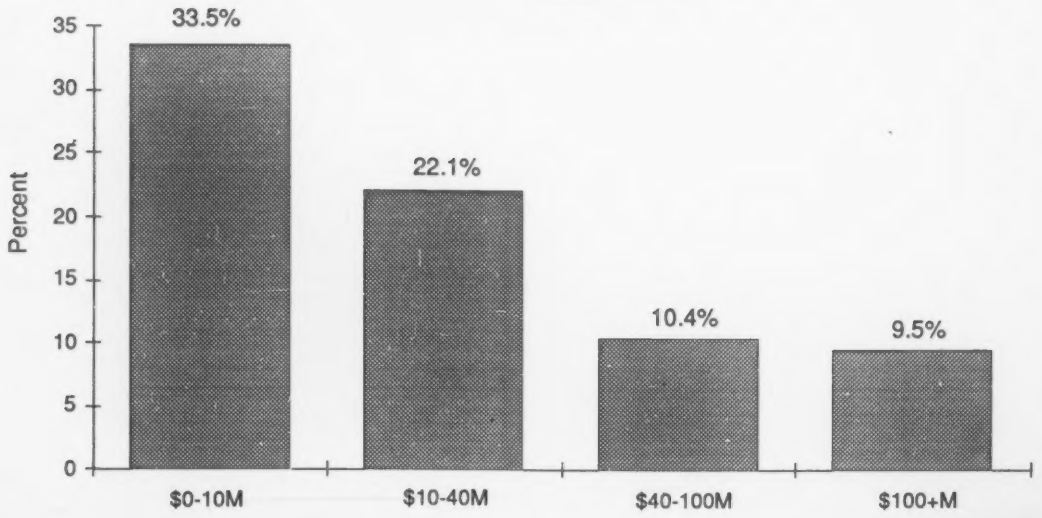
	COMPANY SIZE			
	$0-10M	$10-40M	$40-100M	$100+M
Acquisition/Joint Venture	○	○	○	○
New Markets	●	●	●	●
New Accounts	●	●	●	●
Increased Sales Productivity in existing accounts	●	●	●	●
New Products	●	●	●	●
Product line extension	●	●	●	●
Price Increases	●	●	●	○

○ = Not Important ● = Somewhat important ● = Important ● = Most Important

Source: NHMA Survey

Figure VIII

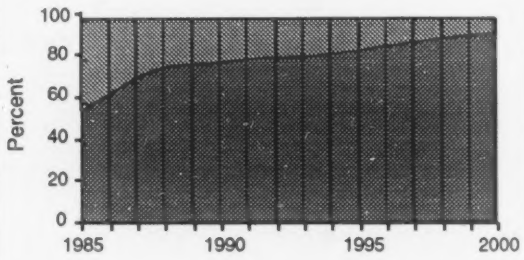
SALES GROWTH OBJECTIVE 1990



Source: NHMA Survey

Microwaves

HOUSEHOLD PENETRATION OF MICROWAVES IN U.S.A. 1985 - 2000



Source: International Microwave Power Institute

Microwave cookware and accessories have grown as a result of increasing microwave penetration in the U.S. The challenge of the 90s will be to stimulate cookware demand by educating an increasingly mature microwave population about new and innovative uses for the microwave oven.

In order to avoid simply providing "replacement" units in the 1990s, some innovative manufacturers are exploring non-food uses for microwaves...drying wet newspapers and socks, heating lotions and moist-heat compresses.

SELLING THE PRODUCT

As indicated on the three figures on the opposite page, selling methods vary widely by company size.

Larger companies tend to rely more heavily on their own sales force (Figure IX). Smaller companies are much more dependent on outsiders for sales help and count on independent representatives and brokers for a substantial part of their sales. 64.5% of small companies' sales are generated by reps/brokers; 33% of the super-sized companies' sales came from reps/brokers.

Most companies organize their sales efforts by region (Figure X). 53% of small companies' sales forces are organized this way; for mid-sized companies it is 82%; large firms report 78%; super-sized companies report 72%.

The housewares industry's growth through the mail order channel mirrors the aggregate growth of non-store retailing in the U.S. (Figure XI). In 1989, mail order accounted for 7.6% of housewares sales, up significantly from 1987 and 1988 levels.

"64.5% of small companies' sales are generated by reps/brokers; 33% of the super-sized companies' sales came from reps/brokers."

Figure IX

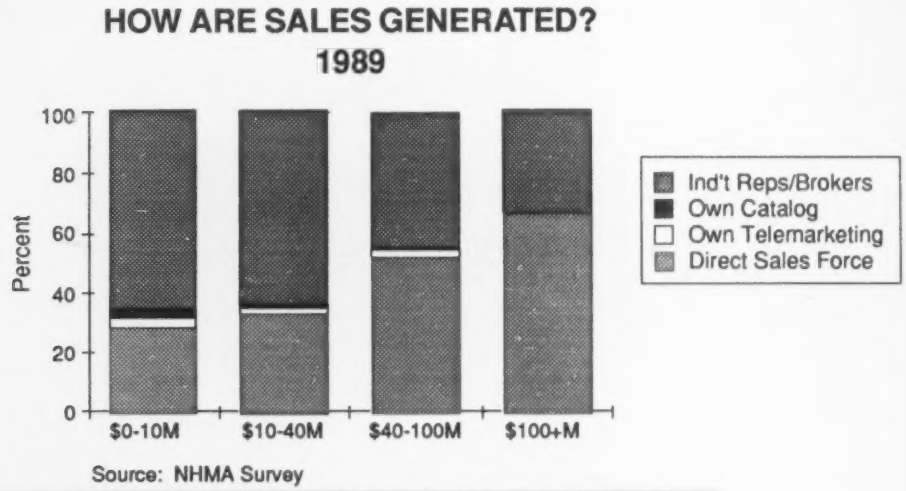


Figure X

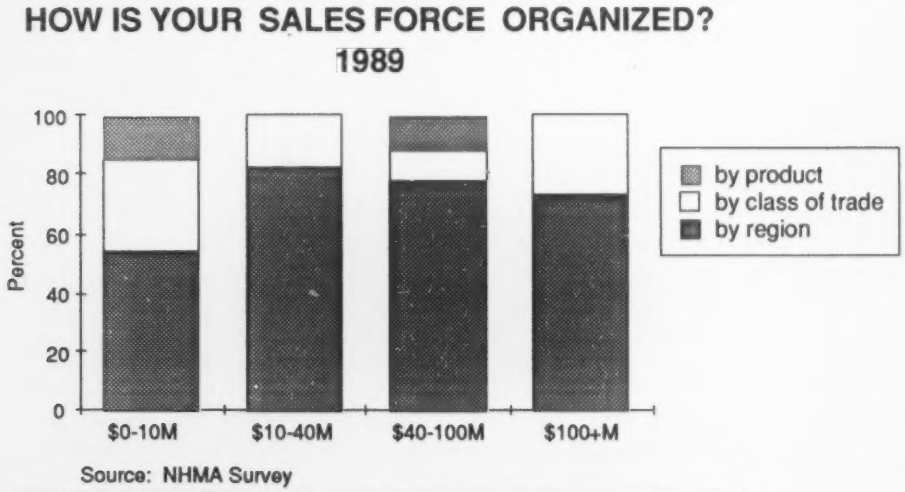
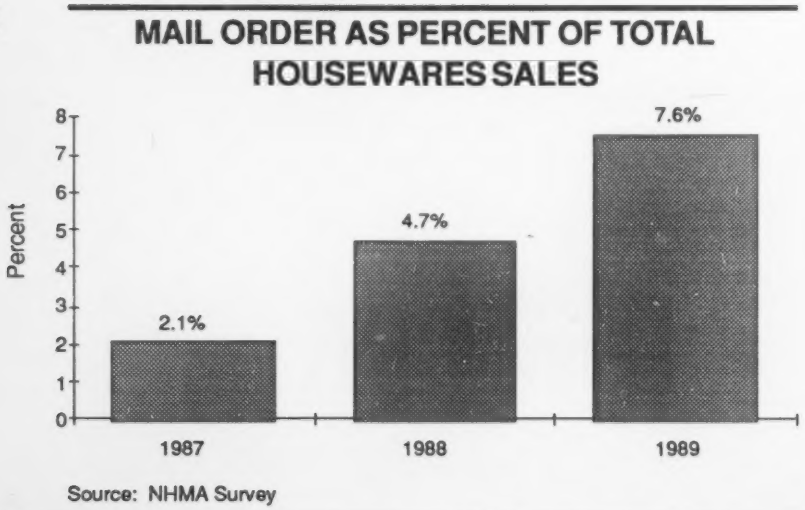
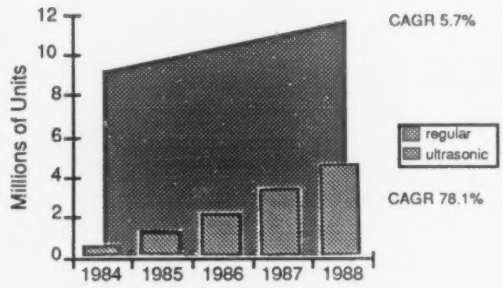


Figure XI



Humidifiers

HUMIDIFIERS IN USE IN U.S.A.
1984-1988



Source: Appliance Magazine

Humidifier manufacturers have successfully extended the life cycle of the humidifier with the introduction of ultrasonic machines. Marketers have been able to effectively communicate the benefits of the ultrasonics to consumers.

Makers of other small electrics — pasta makers, ice cream makers, juicers, waffle irons, bread makers and others — face similar challenges as "overspecialization" limits future growth and continues to be a key element in the electric business.

SELLING THE PRODUCT

Channel distribution dynamics are changing dramatically in the housewares industry. Discounters and wholesalers continue to dominate the channel mix with 25.3% of sales, but declined significantly in 1989 as other channels made gains.

Of course, each channel offers different opportunities for manufacturers. Supermarkets may be an extremely attractive channel for plasticware manufacturers, but may be relatively unattractive to clock manufacturers.

Two general themes emerged in 1989 which underline the manufacturer/channel issue:

- Partnerships between manufacturers and retailers became more common in 1989. Driven by new technologies, JIT inventory systems, and the desire for mutual cost containment, manufacturers and retailers are forging new, open communication with one another for economic advantage.

- While the era of "junk" financing and LBOs may have peaked in 1989, the results of high debt are continuing in the 1990s as supermarkets, department stores and other channels operate with new debt burdens. Retail turmoil was a theme in 1989 as manufacturers had to face difficult credit decisions...to ship or not to ship to retailers on the brink of financial collapse? Alternatively, many housewares manufacturers worked hard to open new accounts and penetrate "safer" channels.

"...manufacturers and retailers are forging new, open communication with one another for economic advantage."

Figure X11

CHANNELS OF DISTRIBUTION FOR HOUSEWARES

	1989	Change from 1988
Discounters	16.2%	●
Supermarkets	11.7%	●
Wholesalers	9.1%	●
Department Stores	8.4%	
National Chains	8.2%	
Gift, Souvenir, Novelty Stores	7.6%	●
Mail Order	7.6%	●
Other	4.8%	●
Catalogue Showrooms	4.4%	
Hardware Stores	4.2%	
Home Furnishings & Appliance Stores	3.8%	●
Drug Store	3.4%	●
Warehouse Clubs	3.2%	
Variety Stores	3.0%	●
Home Centers	2.3%	●
Company Outlets	2.1%	●

● Up Unchanged ● Down

Source: NHMA Survey

SELLING THE PRODUCT

The largest three channels for each product category are listed in Figure XIII. Each product category relies on different channels to sell its goods. Cook and bakeware, for example, rely most heavily on department stores. However, department stores are not among the top three channels for decorative accessories.

Just as product categories have "most attractive" channels, there are some differences in channel selection by company size. For example, housewares companies over $100 million in annual sales that sell branded goods report much heavier dependence on catalogue showrooms than do smaller companies.

For some manufacturers, technological factors are accelerating their sales through certain channels. For department stores, mass merchants, and other retailers, EDI (electronic data interchange) offers several key advantages:

- *Quick responses / JIT*
- *"Paperless" processing*
- *Reduced inventory levels*
- *Shortened re-order fulfillment cycle*
- *Improved accuracy of data*

"Gaining a competitive advantage" is considered the primary motivation for establishing an EDI partnership with a retailer, according to NHMA members.

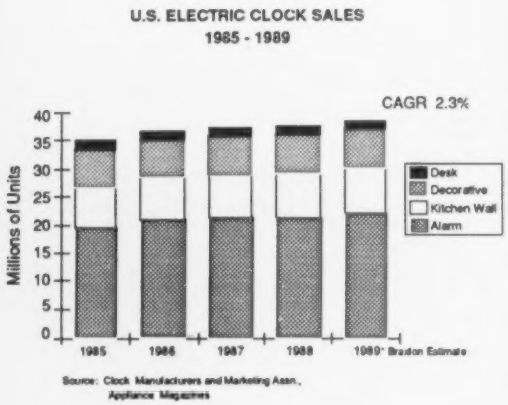
Figure XIII

TOP THREE CHANNELS BY PRODUCT CATEGORY

Small Electrical Appliances	Discounters Department Stores Wholesalers
Tabletop, Serving Products & Accessories	Discounters Gift, Novelty, Souvenir Department Stores
Cook & Bakeware	Department Stores Discounters Wholesalers
Outdoor Products & Accessories	Discounters National Chains Mail Order
Bath, Laundry, Closet & Storage	Discounters Wholesalers Department Stores
Kitchenware & Accessories	Discounters Wholesalers Novelty
Furniture	Mail Order Department Stores Home Furnishings
Decorative Accessories	Discounters Gift, Novelty, Souvenir National Chains
Clocks	Discounters National Chains Home Furnishings
Cleaning Products	Wholesalers Supermarkets Discounters

Source: NHMA Survey

Clocks



The U.S. clock market has shown slow but steady growth in the 1980s. Although alarm models compose the majority of electric clock sales, decorative wall clocks have been of great consumer interest in the late 1980s. Many retail buyers have looked to manufacturers for more interesting designs and a wider variety of colors to satisfy increasing consumer demand for decorative wall clocks which accent a room's decor. Manufacturers have responded with a wide variety of new designs made in the U.S. and abroad.

SELLING THE PRODUCT

New product introductions decreased in 1989 from previous levels. Larger companies, however, took the lead in total new products introduced. Figure XIV reports that the average number of new products (excluding size/pack/color changes) was 37.9 for the supersized companies.

The kitchen and dining area have become a more important place in the home as microelectronics and specialty appliances make the kitchen an entertainment center as well as a food stop. This trend was reflected in new product development where tabletop, serving products and accessories led other housewares categories in total new products introduced in 1989 with 46 new products (Figure XV). Innovation in kitchenware propelled that category to second place while cook & bakeware came in sixth with 26 new products per company.

"...tabletop, serving products and accessories led other housewares categories in total new products introduced in 1989 with 46 (per company)."

Figure XIV

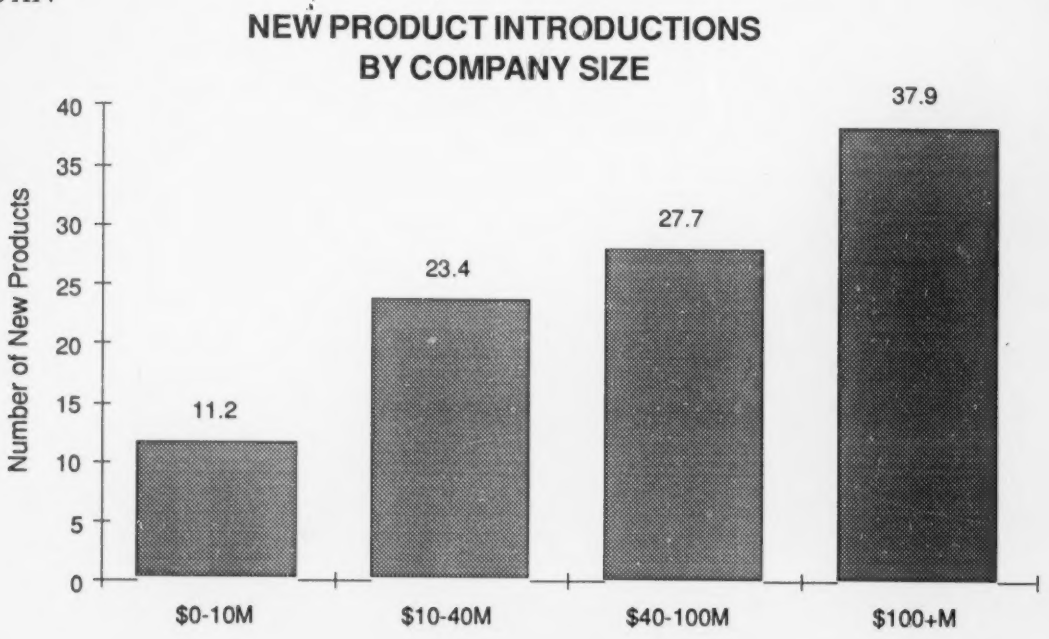
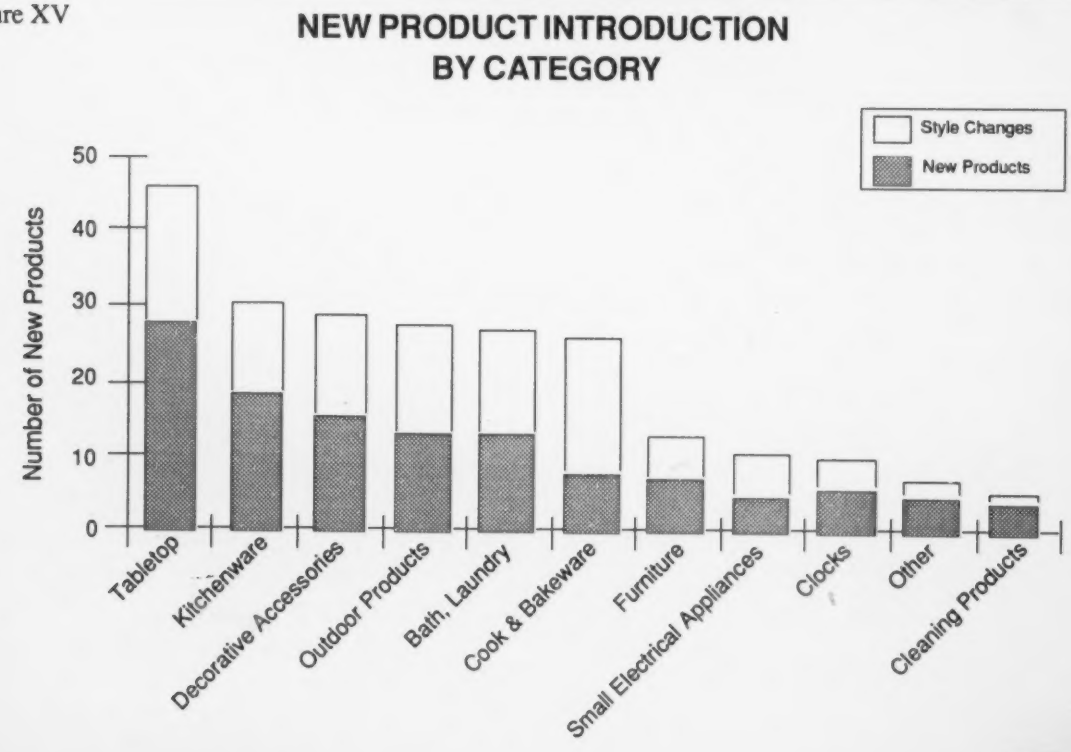


Figure XV



Source: NHMA Survey

Industry advertising levels were down 3% in 1989. Two reasons are given by NHMA members:

- **Fewer New Products**

Since new products generally receive the lion's share of advertising expenditures, lower advertising levels reflect lower levels of new product introductions.

- **Pressure on Profits**

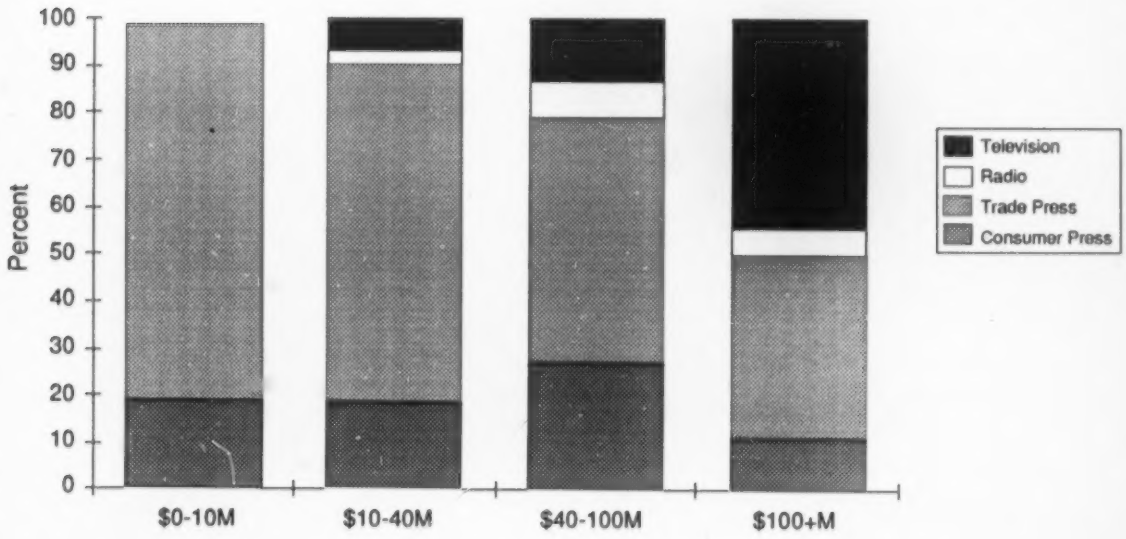
With many manufacturers finding that costs were rising faster than prices in 1989, advertising seemed to be a logical place to cut expenditures to maintain profitability. Most survey respondents acknowledged that some consumer momentum may have been lost due to this action, but there was hope that previous advertising levels could be resumed in 1990.

The mix of advertising expenditures varies widely by company size (Figure XVIII). For the largest companies, television is the favored medium with 44% of the budget. For companies in the $40-100M range, television is only 13% of the mix; trade press is the largest with 51%.

For smaller companies, trade press and consumer press represent more affordable media.

Figure XVIII

ADVERTISING EXPENDITURES BY MEDIUM'



Source: NHMA Survey

'Does not include co-op

Figure XXI

TOP 10 MANAGEMENT PRIORITIES

	1989		RANK	
	%	Rank	1988	1987
Maintaining Gross Margin	55.4	1	1	3
New Product Introduction	51.7	2	2	2
Reducing Costs	45.9	3	4	-
Maintaining ROI	41.9	4	5	-
Pricing	39.2	5	3	5
Improving Product Quality	32.1	6	6	7
Improving Labor Productivity	31.4	7	-	10
Rising Material Costs	30.7	8	7	6
Salesperson Productivity	29.7	9	8	8
Declining Dollar	23.3	10	-	9

Management priorities changed little in 1989 from previous years. Maintaining gross margin remained the most important objective, followed by new product introductions (Figure XXI). Third on the list was reducing costs while fourth was maintaining return on investment. Management priorities did not vary significantly by company size.

Most NHMA respondents reported taking steps to lower costs. Specifically, inventory levels were cut, management levels were reduced and personnel ranks were "down-sized". However, pressure on margins continues. As one respondent said: "I just can't pass on cost increases anymore. Each year I pay more for raw materials and labor, but I don't seem to be able to charge more."

Figure XXII

COMPETITIVE THREATS TO HOUSEWARES MANUFACTURERS TODAY...and in 1992

		$0-10M	$10-40M	$40-100M	$100+M
TODAY	Foreign Manufacturers	●	●	●	●
	National Manufacturers	●	●	●	●
	Regional Manufacturers		●	●	●
	Retail Outlets - private label				●
	Retail Outlets - manufacturer				
1992	Foreign Manufacturers	●	●	●	●
	National Manufacturers	●	●	●	●
	Regional Manufacturers	●	●	●	●
	Retail Outlets - private label			●	
	Retail Outlets - manufacturer				

= No threat ● = Minor threat ● = Moderate threat ● = Major threat

Source: NHMA Survey

Figure XXII reports the mood of American housewares manufacturers as they face increased competition for sales in a market forecasted to slow down. The most prevalent competitive threat felt by respondents were from foreign and national manufacturers.

Figure XXIII

	RANK			
	1st	2nd	3rd	4th
Kitchen	WHITE	BLACK	SLATE BLUE	ALMOND
Bath	WHITE	BLUE	BLACK	ALMOND
Closet/Storage	WHITE	BLACK	SLATE BLUE	BROWN
Dining Room	BLACK	WHITE	PINK	LIGHT BLUE
Outdoors	NATURAL WOOD	RED	BLACK	WHITE
Other	BLACK	OFF WHITE	NATURAL	HONEY, GOLD

Color preferences among manufacturers did not change dramatically from last year's Survey of the Housewares Industry (Figure XXIII). In total, white is the favorite color of housewares manufacturers, followed by black, and slate blue. It is interesting to note, however, that natural and almond made inroads this year, reflecting a move away from the ordinal colors of the 1980s to the more natural and homey colors of the 1990s. Also, the range of colors listed by respondents broadened in this year's survey, reflecting the trend among manufacturers to micromarket specific color combinations to choosy consumers. Although none of these colors were prevalent enough to make it into the top four colors for our six categories, housewares manufactures did mention spice, burgundy, mauve, chrome, and violet as being popular colors in 1990.

APPENDIX

APPENDIX

GLOSSARY

The following terms and definitions were used by survey participants to complete the questionnaire.

1. **"HOUSEWARES"** are represented by eleven segments which include:

a) **Small Electric Appliances**
Examples:
food processors, microwave ovens, fans, can openers, coffee makers, hair dryers, shavers, vacuums

b) **Tabletop, Serving Products & Accessories**
Examples:
cutlery, china, beverage ware, flatware, napkins, table cloths

c) **Cook and Bakeware**
Examples:
glass & metal pots & pans, microwave ware, enamel ware

d) **Outdoor Products & Accessories**
Examples:
barbeque grills, pads, cushions, pool toys, thermos, outdoor furniture, picnic items

e) **Bath, Laundry, Closet & Storage**
Examples:
fixtures, shower curtains, shelving, racks, baskets, dividers, ironing pads

f) **Kitchenware & Accessories**
Examples:
tools, gadgets, plastic and rubberware kitchen textiles

g) **Furniture**
Examples:
indoor and RTA furniture-tables, chairs, bookcases and space saver systems

h) **Decorative Accessories**
Examples:
picture frames, vases, silk flowers, window furnishings, mirrors, lighting fixtures

i) **Clocks**
Examples:
mechanical and electrical clocks

j) **Cleaning products**
Examples:
brooms, mops, brushes, sponges, chemicals and polishes

k) **Other**
Examples:
sewing, flashlights, candles

2. **Houseware Manufacturer** - company primarily engaged in production or assembly of houseware products for resale to other manufacturers, wholesalers and retailers or directly to consumers.

3. **Importer** - individual or company primarily engaged in importing from outside the U.S.

4. Channels - refer to the various channels of distribution including:

	Examples
- Wholesalers (5)	*SuperValu, Mckesson*
- Discounters	*K Mart, Target, Walmart*
- Supermarkets	*Kroger, Safeway*
- National Chains	*Sears, Penneys, Montgomery Ward*
- Department Stores	*Bloomingdales, Filenes*
- Variety Stores	*McCrory, Family $, Woolworth*
- Drug Stores	*Walgreen, Rite Aid*
- Catalog Showroom stores	*Service Merchandise*
- Gift, Novelty, Souvenir stores	
- Hardware Stores	*True Value*
- Warehouse Clubs	*B-J's, Sams, Price Club*
- Home Centers	*Grossmans*
- Home Furnishings and Appliance Stores	*Levitz, Crate & Barrel, Pier 1*
- Mail Order	*Williams Sonoma*
- Company Outlet	
- Other	

5. **Wholesaler/distributor** - company which purchases finished products for resale to retail channles. These include, for example, grocer, drug, service merchandiers (rack jobbers) and general merchandise wholesalers. Grocery and hardware coope are classified as "wholesaler" for purposes of this survey.

6. **Retail outlets** - includes department, grocery, variety and other stores who sell directly to end user. (See Part 4 above)

7. **Sales volume** - dollar value of products sold.

NHMA 1990 STATE OF THE INDUSTRY SURVEY

STUDY OBJECTIVES

This research project was initiated in 1987 and designed to provide actionable, historical facts to the NHMA membership regarding the size and nature of the industry, products and channels of distribution, selling and marketing methods, issues of concern to manufacturers, and key operating and financial statistics. Additionally, the research would explore the underlying economic and demographic fundamentals which drive industry growth. This annual study also offers a unique opportunity to monitor industry movements and trends on a continuing basis; NHMA90 is the third yearly study of the industry and contains data from 1987, 1988 and 1989.

METHODOLOGY

A detailed, self-administered mail questionnaire was developed by Deloitte & Touche, Braxton Associates and the National Housewares Manufacturers Association. It was carefully reviewed by an NHMA Research Task Force and market research professionals.

Completed surveys from NHMA members were returned to the certified public accounting firm of Deloitte & Touche for data entry and processing. All data were verified to assure accuracy (but not audited). In the case of ambiguity, survey respondents were telephoned to clarify a particular response. Once all data were entered, surveys were stripped of the respondent's name and firm to assure confidentiality.

Using specially-designed statistics software, analysts from the Braxton Associates division of Deloitte & Touche compiled both summary and detailed frequency distributions and cross-tabulations. Once the preliminary analysis was completed, Roundtable Discussions were conducted with retailing, wholesaling and manufacturing practitioners from within the Deloitte & Touche organization and within the housewares industry. These Roundtables provided the opportunity to put the data in perspective; experienced industry participants and consultants reviewed the findings, discussed the state of industry, highlighted important trends, and offered insights.

This study, then, reflects both the quantitative findings of the survey and the qualitative judgements of a cross section of the housewares industry--retailers, manufacturers, consultants, and the business press.

From the inception of this project in 1987, the participation rate among housewares companies has been high. In 1989, the response rate was 26% among active NHMA members. From our experience this high level of response reflects a very strong interest in, and desire for quality industry data.

RESPONSE

320 housewares companies provided the detailed information reported in this study. Of significance this year is the degree to which respondents disclosed information. The surveys received this year reflect a higher level of disclosure: fewer questions were left blank and more confidential financial information was revealed. Also, we continue to receive surveys completed by people at high levels in their organizations.

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